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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 003061

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TAGS: EFIN PREL EAID PGOV I2

SUBJECT: BAGHDAD SECURITY PLAN: GOI EXPEDITES BUDGETARY ASSISTANCE FOR ECONOMIC PROJECTS

REF: A. BAGHDAD 3015

1B. BAGHDAD 2937

Classified By: CDA Daniel Speckhard, for reasons
1.5 (b) and (d).

Summary

11. (C) Deputy Prime Minister Barham Salih has instructed the Ministry of Finance and other GOI entities to begin implementing new measures, approved by the Economic Affairs Committee, to accelerate reconstruction spending to support the Baghdad Security Plan. Barham Salih believes these measures could be a model for improving overall GOI contracting and budgetary expenditure mechanisms ("budget execution") among both the provinces and ministries. Mission staff is preparing a position paper for Prime Minister Maliki to identify budgetary execution bottlenecks and make recommendations for action. End Summary.

Economic Affairs Committee Approves Accelerated Measures for Baghdad

12. (SBU) Deputy Prime Minister Barham Salih recently informed us that the Economic Affairs Committee agreed on several new procedures to accelerate reconstruction expenditures in Baghdad governate in support of the Baghdad Security Plan:

- Grant Baghdad City (the "Amanat") the authority to shorten the time period for bidding and solicitation of open bids to one week from one month; and allow for sole sourcing (direct invitation) if an acceptable bid is not received after the two one-week bidding announcements.

- Increase the qualifications rating by one level for all contractors and companies already registered in Iraq, thus expanding the pool of available contractors; and

- Authorize the release of \$10 million from the Amanat's operational budget as immediate payment to support essential services in Baghdad. These funds should be spent according to the priority orders of the Baghdad Secretariat through the last quarter of this year.

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DPM Barham Salih provided written notification on August 15 of the Economic Affairs Committee decisions to the Ministry of Finance, the Ministry of Planning, the Baghdad Municipality Secretariat and to the Board of Supreme Audit.

PM Issues New Directive on Spending Guidelines

¶13. (SBU) Mission IRMO Director Ambassador Saloom met with Prime Minister Maliki's Chief of Staff, Dr. Tariq Nejim, on August 15 to discuss ways to improve the Iraqi government's contract and budget execution mechanisms generally, including those involving the central government ministries. During the meeting, Ambassador Saloom noted that the Baghdad Security Plan's success would be dependent on improved coordination between the security and economic components of the plan. Dr. Tariq Nejim stated that PM Maliki is working on a directive to the Ministry of Finance to modify spending guidelines for provincial development funds. The directive will shift execution authority to the Governors and the Mayor of Baghdad.

Comment

¶14. (C) DPM Barham Salih believes the streamlined measures for accelerating reconstruction expenditures in Baghdad could be a model for improved budget execution at the provincial and federal level. It is

BAGHDAD 00003061 002 OF 002

too early to judge how well these measures will be implemented in Baghdad. Budget execution at the federal level remains a serious problem and provincial capacity is uneven and also lagging generally. The mission is preparing a position paper for the PM's office that will evaluate current contracting and budgetary expenditure mechanisms, identify bottlenecks and critical points, and make recommendations for improving the system. This paper will focus on Iraq's vital energy and electrical sectors. We hope this analysis makes clear to the PM the seriousness of the budget execution issue, as well as stimulate the GOI to adopt corrective measures.

SPECKHARD